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SUBJECT: LEBANON: IMF MISSION TO DISCUSS NEW EPCA PROGRAM; ILLEGAL CROSSINGS ON LEBANESE-SYRIAN NORTHERN BORDERS CLOSED (ECONOMIC WEEK IN REVIEW, APRIL 21 - 27, 2008)

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IMF MISSION TO DISCUSS NEW EMERGENCY
POST-CONFLICT ASSISTANCE (EPCA) PROGRAM

¶1. (SBU) An International Monetary Fund (IMF) delegation is expected to arrive in Beirut on April 29 for a two-week visit to discuss a new Emergency Post-Conflict Assistance (EPCA) program for Lebanon, Finance Minister Jihad Azour told Charge on April 23. The mission will discuss and negotiate with the Finance Minister and the Central Bank Governor monitorable actions, and monetary and fiscal targets for 2008, as well as develop a macro-economic scenario for 2008. Charge asked Azour to share the new benchmarks with Post.

WORLD BANK MISSION IN BEIRUT MID-MAY
TO CONCLUDE \$75 MILLION LOAN

¶2. (SBU) Azour also told us that a World Bank mission is expected in Beirut mid-May to set up the time line to conclude the second World Bank Development Policy Loan (DPL), amounting to \$75 million. Disbursement is conditional on the implementation of specific actions in the social and power sectors.

2008 IMF FORECAST: MODERATE GROWTH,
IMPROVEMENT IN DEFICIT AND DEBT RATIO

¶3. (U) In its Emergency Post-Conflict Assistance (EPCA) report, the IMF projected economic growth in Lebanon at about three percent in

2008, noting that the political stalemate and concerns about the security situation weigh on the economic outlook. The fiscal deficit is expected to improve from 11 percent of GDP in 2007 to 10.3 percent this year. With slow growth and continued fiscal tightness, the gross public debt to GDP ratio is projected to improve, reaching 167 percent in 2008 compared to 171 percent in 2007. The IMF expected deposit inflows to remain strong, barring any unexpected political and security conditions.

IMF FORECASTS HIGHER GROWTH IN 2009-2010

14. (U) The IMF has recently released the first issue of its bi-annual publication, the World Economic Outlook (WEO), which includes economic forecasts for Lebanon. The WEO estimated real growth to pick up to 4.5 percent in 2009, probably due to resolving the political crisis. The WEO expects real GDP growth to remain at a steady pace of five percent over the period 2010-2013. The WEO estimated average inflation at 4.1 percent in 2007, 5.5 percent in 2008, four percent in 2009, and 3.9 percent in 2010.

ILLEGAL CROSSINGS ON LEBANESE-SYRIAN NORTHERN BORDERS CLOSED

15. (U) The Common Border Force (CBF), a joint Lebanese Army, Police, General Security, and Customs controlling the northern Lebanese-Syrian border, began closing illegal border crossings. The CBF erected concrete barriers to prevent smugglers from smuggling arms and cheaper goods from Syria. Around 80 illegal border crossings were closed, according to unconfirmed press reports. The local population reportedly indicated it will "respond" to what it regards as a provocation.

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LEBANON'S GLOBAL RANKING ON CREDITWORTHINESS IMPROVED

16. (U) Institutional Investor Magazine ranked Lebanon 115 worldwide and 19 among 20 countries in the Middle East and North Africa (MENA) region in its semi-annual survey on the creditworthiness of 174 countries published in March 2008. Lebanon's global ranking improved six notches from the September 2007 survey and remained unchanged on the regional level.

CONSTRUCTION PERMITS UP BY 33.4 PERCENT IN FIRST QUARTER OF 2008

17. (U) Figures released by the Beirut and Tripoli Order of Engineers show that construction permits totaled about 2.15 million square meters in the first quarter of 2008, up by 33.4 percent compared to the first quarter of 2007. This increase is attributed to the rise in real estate and housing demand. Mount Lebanon accounted for 47.6 percent of the total construction permits, followed by Beirut with 15.6 percent, south Lebanon with 17.6 percent, north Lebanon with 15 percent, and the Biqa with 4.2 percent.

BEIRUT HOTEL OCCUPANCY DOWN TO 35 PERCENT IN 2007

18. (U) Ernst and Young survey of the Middle East hotel sector showed that occupancy rate at hotels in Beirut was 35 percent in 2007, down from 50 percent in 2006. This rate was the lowest among 19 markets in the region, as in 2006, and posted the steepest annual drop in the region. The survey ranked Beirut's hotels as the 12th most expensive in the region.

LEBANON MAINTAINS "PARTLY FREE" IN POLITICAL RIGHTS RATING

19. (U) Freedom House's 2008 annual publication Freedom in the World

rated Lebanon as "partly free", unchanged from the 2007 survey, noting that it was upgraded from "not free" to "partly free" in [2006](#). Lebanon was among the nine MENA countries considered "partly free," while 12 MENA countries were considered "not free." This publication assesses the state of political rights in 193 countries and 15 related and disputed territories. The index appraised individual countries based on two variables: political rights and civil liberties, with one representing the most free and seven the least free rating. Lebanon scored five in political rights and four in civil liberties, just like in the 2006 survey.

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